



NATIONAL  
ASSOCIATION FOR  
LATINO  
COMMUNITY  
ASSET  
BUILDERS

## Feasibility Study

Project: Growing La Doce's Small Businesses by Increasing Access to Capital and Financial Education

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### Introduction and Scope of Study

An effective feasibility study identifies strengths and challenges of possible conditions under which a project will be carried out and potential scenarios for project development before further prioritization and planning is conducted. By doing this research beforehand, the City of Tucson will benefit from cost-savings and bolster the rationale for future project design.

For these reasons, establishing the scope of the feasibility study from the outset is essential. The City of Tucson should specifically state what project or set of projects they have selected, why, and any considerations for their development. As an example, the City might focus on developing a small business assistance program, similar to an accelerator program for the South 12<sup>th</sup> Avenue corridor specifically. Both nascent and more adolescent well-established businesses have voiced the need for education in the areas of business planning, accounting, and financial literacy. An accelerator program focused on the corridor could be designed to build the capacity of small businesses with both education and increased access to capital. The scope of a feasibility focused on this type of project area would also benefit from defining at the outset any already established goals for the corridor and what success looks like internally for the City and externally for the community.

**Provide a rationale for the study and describe the preliminary idea for the project/program design. Describe what was selected, why, and any ideas for how it will be carried out. This will guide the feasibility analysis.**

### Market Analysis

The Market Assessment developed by NALCAB provides a foundation for a more in-depth project-specific analysis that can be focused to the needs of a project like a small business accelerator. A comprehensive Market Analysis will review existing conditions and connect current and future planning initiatives and anticipated investment to the proposed project. Market changes that affect access to capital in the community lending landscape of the Tucson region should be noted. In order to design a project that will be utilized and embraced by the small businesses on the 12<sup>th</sup> Avenue corridor, this analysis should be based in a community engagement process and provide a detailed analysis of the reported need, existing community assets, and future opportunities identified by businesses and residents.

The La Doce: Supporting a Naturally Occurring Cultural and Business District on South 12<sup>th</sup> Avenue” report, the La Doce Barrio Foodways Project, and conversations undertaken for this technical assistance assignment have all documented the need for small business technical assistance and loan capital. Community partners like the Common Group have also illustrated the proliferation of title or payday lenders and check cashers, and relative lack of mainstream

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financial institutions. The market for small business development support and small business loan capital is clear. Lender and TA organizations shared the experience working with clients who would benefit from business education – including basic accounting, financial literacy, credit, bank accounts, and strategies to avoid predatory lenders.

Review existing conditions, initiatives, or plans and identify any related to the proposed project.

Overview of Community Engagement Process

Identify key stakeholders and their potential role in moving the project

Detailed analysis and recommendations for pursuing project

Identify potential challenges e.g. if proposing a project to increase homeownership opportunities, do potential buyers need financial literacy training or counseling?

### Organizational Analysis

An Organizational Analysis will identify internal capacity to advance the proposed project and consider how outside partners can complement internal efforts. The City of Tucson has the opportunity to support the small businesses on South 12<sup>th</sup> venue to modernize their facilities and operations and fund their expansion through the Section 108 Loan Program.

A comprehensive feasibility analysis would analyze departments within the City that are involved in small business lending programs. For example, as the office which administers the Section 108 program and the City's Small Business Assistance efforts, the Office of Economic Initiatives would serve as a lead actor in developing a targeted lending and technical assistance program for small businesses on the South 12<sup>th</sup> Avenue corridor. The feasibility analysis should include information on current staff capacity to administer an additional place-based program in addition to scheduling and budgetary needs.

Outside resources should also be reviewed, including how the list of potential community partners could work with the Office of Economic Initiatives in marketing and providing small business services. Potential partners include the YWCA, Pima Community College, CDFIs such as Acción and PPEP Microbusiness and Housing Development Corporation, Préstamos, among others. An analysis of how these organizations could compliment City efforts would be appropriate. Additionally, the City could also analyze the feasibility of supporting a corridor

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Business Association or District Manager that would complement the City's efforts by coordinating across entities among community members.

Identify which departments and partner organizations will need to be involved. What will their staffing, scheduling, and budgetary needs be? Will any outside resources be necessary?

### Financial Analysis

The Financial Analysis includes and assessment of project costs and benefits through quantifiable general and project-specific impacts. For example, under a small business accelerator program could yield a fiscal impact of increased sales and property tax and also produce economic impacts such as increased patronage to local business and transformational development in the corridor. The City should assess eligible funding sources and potential revenue streams for small business education activities, loan capital provision, loan servicing activities, and program marketing. Program design scenarios can be developed based on current or anticipated funding streams and organizational capacity along various implementation timelines. For example, given the constraints in providing smaller size loans through the Section 108 program, the city may initially provide small business education services while it builds the ability to access other loan capital sources that will allow for smaller loans. Through the Financial Analysis portion of the Feasibility Study, the City should also consider any legal barriers that might affect project planning such as legal requirements tied to funding sources or the formalization of partnerships with community banks or CDFIs for loan servicing and monitoring.

The following potential sources could be brought to bear on a business education and/or access to capital initiative:

- CDBG Public Service Funds
- CDBG Funds outside the public service cap
- Section 108 Loan
- Tucson Industrial Development Authority

Additionally, these resources could be structured in the following ways:

#### Business Education

- City of Tucson CDBG Public Service funds may be used to provide business education services and job training provided each program primarily serves low- and moderate-income people and maintains documentation of family size and income for each business owner assisted [24 CFR 570.201(e); 570.208(a)(2)(i)(B)].
- City of Tucson CDBG funds outside of the public service cap may be used to provide microenterprise (business has five or fewer employees) technical assistance and other services to the owners of microenterprise businesses and persons developing microenterprises who are income qualified as low- and moderate-income persons (using acceptable methods such as Part 5, 1040, American Community Survey) [24 CFR 570.201(o); 570.208(a)(2)(iii)].

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### Access to Capital

- Using CDBG or applying to HUD for a new Section 108 loan, provide access to business capital through the implementation of an Economic Development Loan Program. Such a program could provide smaller loans in increments of \$35,000 to correspond with the benefit standard for the low- and moderate-income jobs creation National Objective whereby businesses would have access to up to \$35,000 per full-time equivalent job created. The program could tailor assistance levels to address each applicant's business needs, including the needs of microenterprise businesses with five or fewer employees. [24 CFR 570.203; 570.208(a)(2)(iii) LMC, 570.208(a)(4) LMJ]
  - Enhance accessibility to private credit through partnerships with small business lenders to provide micro funding options with favorable terms and reasonable underwriting standards.
1. Recognition of any Legal Requirements
  2. Financial Analysis (Includes assessment of cost/benefits, funding sources, potential revenue. Must also include various scenarios for not only financial viability, but success in achieving social goals for residents).
  3. Feasibility Analysis should help point to next steps for implementation and timing.

### Conclusion and Next Steps

Using the market, organizational and financial analyses, the City should be able to prioritize the outcomes and impacts of explored scenarios and form actionable next steps for project planning and implementation. The prioritization of strategies produced from this analysis should connect to the City of Tucson and the community's goals established in the scoping of the project. As NALCAB has demonstrated in previous memorandums, the City of City and the County have established planning goals that coincide with a vision for a sustainable environment for small business development in the 12<sup>th</sup> South Avenue corridor.